



IMPACT OF INCOME DISPARITY ON HOMEOWNERSHIP RATES IN MAJOR UK URBAN AREAS OVER THE PAST DECADE

Clarisse Elaine Huang

Research Scholars Program, Harvard Student Agencies, In collaboration with Learn with Leaders

ABSTRACT

This study aims to explore the relationship between income disparity and declining homeownership rates in major UK urban areas for the last 10 years (2014-2024). This study investigates how income disparity, housing affordability, and other socio-economic factors shape trends in homeownership using secondary data analysis. The findings indicate that income disparity, as measured by the rising Gini coefficient and a growing affordability gap, is a major barrier to homeownership, especially for lower-income families. Additionally, structural issues such as housing supply shortages, regulatory constraints, and demographic shifts have exacerbated these challenges. While other factors, such as cultural and generational preferences, are taken into account, income disparity is still the primary cause of the crisis. This paper emphasizes the need for policy interventions that address income disparity, improve housing supply, and promote equitable urban development to mitigate the housing affordability crisis in the UK.

KEYWORDS: Income Disparity, Homeownership Rates, Gini Coefficient, Housing Supply, Urban Development

INTRODUCTION

The UK has witnessed a notable and persistent increase in income disparity over recent decades, with the Gini coefficient consistently illustrating widening gaps between the highest and lowest earners. The Gini coefficient, a commonly used indicator for income disparity, was around 0.35 before housing costs and 0.39 after housing costs, indicating a 4% increase in disposable household income in 2022-2023 (Devine, 2024). Indeed, inequality levels are higher based on income after housing costs, as lower-income households tend to spend a much larger share of their income on housing than higher-income households. For instance, in 2021, the poorest quarter of the UK population spent 21% of their income on housing, compared to 6% of the richest quarter of the population (Cribb et al., 2023). This disparity underscores the difficulties lower-income groups face in obtaining affordable housing.

Income disparity has profound implications, particularly in the context of housing, where homeownership rates—defined by the Mortgage News Daily as the “proportion of households that are owner-occupied”—are challenged by rising costs of living and economic inequality such as poverty. The Office for Budget Responsibility forecasted an increase in real household disposable incomes of just 0.1% in 2024, followed by 1.7% in 2025, reflecting how rising costs of living erode the purchasing power of lower-income households (Devine, 2024). Further compounding these challenges is residential segregation. For example, wealthier areas in England and Wales experience higher income disparity but lower levels of spatial separation between income groups, whereas poorer areas face greater segregation. This segregation limits access to affordable housing for low-income households and reinforces disparities in wealth accumulation and social mobility (Cauvain et al., 2022).

This study addresses the question: **To what extent has income disparity influenced homeownership rates in major UK urban areas in the past decade?** The objective of this paper is to analyze how income disparity has shaped housing affordability and homeownership trends, specifically focusing on the discussion of both economic and social lenses.

The paper is divided into four sections: the first is a literature review that contextualizes the relationship between homeownership trends and income disparity by gathering different perspectives and research findings; the second is the methodology section, which will indicate the sources used, the study's geographic scope and time frame, as well as the analytical lenses; and the third is data analysis, which will discuss the economic and social lenses of income disparity and homeownership rates. In addition, the conclusion summarizes the key findings and outlines the implications of the study for policymakers, urban planners, and researchers seeking to address the decline in homeownership rates.

LITERATURE REVIEW

Between 2014-2024, income disparity in the UK has persisted, with the Gini coefficient increasing from 34.4% in 2021 to 36.5% in 2022 (Office for National Statistics ONS, 2022). Simultaneously, homeownership rates in major UK urban areas have declined over the past decade. In 2022, 75% of the local authority areas in England and Wales experienced a decline in housing affordability compared to 2019, which highlights the increasing difficulties in purchasing homes (ONS, 2023). The ONS reported that in 2023, the average house price in England rose to £298,000, equating to 8.6 times the average household income, whereas the average housing price in London was equivalent to nearly 35 years of income for the bottom 10% of households (Reuters, 2024).

According to Samuel Walting & Anthony Breach (2023), the UK has suffered a housing crisis that varies across several regions, with the worst shortages occurring in the most economically successful cities that have high levels of employment. Limited housing supply has been a major driver, with an estimated shortfall of 4.3 million homes required to meet demand. In addition to the housing shortages, other factors contributing to the declining homeownership rates include soaring property prices and stagnant wage growth. Furthermore, poverty exacerbates these challenges as lower-income households face greater difficulties entering the housing market. In 2021, the UK's poverty rate stood at 17%, deducting housing costs, but rose to 22% after accounting for these costs (Cribb, 2022).

Although significant research has been conducted on income disparity and housing separately, the direct link between the two and the long-term impact on housing stability has not yet been fully addressed. Existing studies often focus on general affordability issues, the impact of macroeconomics on property prices, the impact of high housing costs on lower-income households, etc. However, there remains a growing need for studies that explicitly connect income disparity to specific aspects of the housing market.

METHODOLOGY

This study relies heavily on secondary data from various reputable sources. These include statistical databases from the Office for National Statistics and the Institute for Fiscal Studies, which provide data on income distribution, housing prices, and homeownership rates across the UK. Additionally, academic research articles published in peer-reviewed journals alongside government publications and reports from think tanks will also be used to conduct in-depth analyses of income disparity, housing markets, and related socio-economic issues. The time scope of this study will be narrowed down to 2014-2024 and is geographically constricted to urban areas within the UK including London, Manchester, and Wales. Furthermore, this analysis adopts a dual-lens approach using both economic and social perspectives.

Discussion and Analysis

Income disparity plays a pivotal role in shaping homeownership rates by creating financial barriers for lower-income households and exacerbating social inequalities. However, this study argues that the issue extends beyond income disparity alone; housing supply shortages, urban planning constraints, and demographic changes also play crucial roles in shaping these challenges.

From an economic perspective, rising income disparity has intensified the financial challenges faced by lower-income households in accessing homeownership. According to ONS, the average house prices in the UK increased by 4.1% in the 12 months leading to March 2023. While this annual increase seems moderate, the long-term affordability gap remains significant when compared with slow income growth. Moreover, median household disposable income in the UK was only 5.9% higher in 2022-2023 as compared to 2009-2010, indicating limited growth over more than a decade. Lower-income groups have been disproportionately impacted by this stagnation in income

growth, and rising rent-to-income ratios further limit their ability to save for homeownership. Pacitti (2024) observed that market rent growth peaked at 10.4% in mid-2023 before easing to 7.5% by March 2024, underscoring the persistent pressure on tenants' budgets. In fact, the affordability challenge in lower-income groups is compounded by structural shifts in housing provision. Policies like Margaret Thatcher's 1980 "Right to Buy" policy have incentivized the privatization of council housing, and by 2018, public investment in housing development had fallen to just 0.06% of GDP on average among OECD countries (OECD, 2021; Lee et al., 2022). This retrenchment in welfare housing provisions has shifted housing access further into the private market, increasing cost burdens on those with the greatest need.

Meanwhile, some may argue that the decline in homeownership rates stems more from structural issues in the housing market, such as housing supply shortages. Urban planning restrictions, zoning laws, and construction delays are significant barriers to increasing housing supply, driving up prices even in middle-income segments. Regulatory constraints, such as zoning laws requiring minimum lot sizes or separating residential and commercial uses, exacerbate the scarcity of buildable land. For example, in the UK, limited housing supply elasticity causes property prices to rise faster than demand (Cavalleri et al., 2019; Lee et al., 2022). By 2024, the average house price in Manchester reached £256,000, demonstrating how persistent supply shortages can inflate prices, even in traditionally more affordable urban areas. Moreover, landowners and developers also play a role in exacerbating housing supply shortages. Practices like land banking, where developers delay the release of developable land to maximize profits, have been documented in the UK (Ryan-Collins et al., 2017; Lee et al., 2022). Together with regulatory inefficiencies, these practices limit the responsiveness of housing supply to demand, further excluding lower-income households from the housing market.

While structural issues such as supply shortages and regulatory constraints contribute to the affordability crisis, the impact of income disparity in declining homeownership cannot be overlooked. The rising income gap, combined with the reduction in subsidized housing, has left many lower-income households struggling to keep up with soaring housing costs. Given these trends, income disparity remains a fundamental driver behind the declining homeownership rates, as it compounds affordability challenges for those already facing economic disadvantage.

Furthermore, from a social perspective, income disparity contributes to social stratification, especially in urban areas where rising housing costs push lower-income families into less desirable neighborhoods with limited access to essential services, education, and job opportunities. This dynamic is prevalent in low-income and high-income households, as affordability constraints have pushed them into more deprived areas. A study conducted by Cho & Whitehead (n.d.) explains that since the UK financial crisis, a number of households in the top two income quintiles have moved into areas classified among the 30% most deprived in the UK. This is particularly evident in London, where 50% of higher-income households

have relocated to such areas mainly out of economic necessity. While some of these households benefit from lower property prices and potential capital growth as these areas gentrify, many remain dissatisfied with their surroundings, highlighting the broader impact of affordability challenges on housing choices. Such movement in the population illustrates how affordability constraints influence housing decisions across all income groups. Thus, these trends suggest that income disparity contributes to residential segregation, spatial divides, and limited opportunities for both renters and owner-occupiers constrained by the rising cost of housing.

However, alternative explanations suggest that cultural and demographic shifts play a significant role in declining homeownership rates. Younger generations, particularly Gen Zs, prioritize lifestyle flexibility and urban living. A study by the National Association of Realtors (2023) found that 63% of them prefer walkable neighborhoods, highlighting their strong preference for urban environments. However, based on U.S. respondents, it may offer insights applicable to similar demographics in the UK. This shift has increased rental demand, as a British Property Federation survey shows that 30% of Build to Rent (BTR) tenants are aged 16-24, compared to 22% in the wider Private Rented Sector (PRS), reinforcing Gen Z's stronger inclination toward renting. Additionally, urban migration trends contribute to rising demand in economically vibrant cities, increasing house prices regardless of income disparity. The Migration Advisory Committee (2018) found that a 1% increase in the UK's population due to migration correlates with a 1% rise in house prices. This claim is further supported by a study conducted by Kenneth S. Park (2014), which found that the demand for affordable housing has become polarized across England, with economic and job opportunities drawing more people into urban centers, particularly London. Demographic shifts, including the aging population and the rise in single-person households, are also expected to strain the already overheated housing market. Older homeowners often remain in family-sized homes, reducing housing options for younger buyers. A report by Professor Les Mayhew from Cass Business School (2020) highlights that underoccupation is prevalent among the elderly, with many living in homes larger than their needs. The Local Government Association (2022) confirms that the number of people aged over 65 in the UK is projected to rise from 10.8 million in 2018 to 13.8 million by 2035, indicating a 27% increase.

Even though cultural and demographic shifts are important factors influencing homeownership rates, they do not account for the entirety of the declining homeownership rates in the UK. The core issue is still income disparity, which inhibits both lower and even increasingly higher-income households from being able to afford a house. While the aging population does contribute to the higher demand for housing in urban areas, it also has the side effect of increasing socio-economic segregation. As such, while these changes require immediate attention, rising income disparity is indeed the key driver behind the housing challenges described.

CONCLUSION

In conclusion, this study attempted to determine the relationship

between income disparity and the rate of home ownership in major UK cities over the past 10 years. The results reveal multifaceted interactions among the rising income disparity, the economic constraints, and social factors like shortages in housing, urban planning limitations, and demographic changes. What is very clear is that income disparity is one of the major contributors to poor accessibility of homeownership, especially among low-income households, by widening the affordability gap. This situation is extremely worsened by the relatively static wage levels and escalating costs of housing. All these problems create huge obstacles for those attempting to purchase homes. Simultaneously, however, the structural problems of the housing market, including weak supply and ineffective regulation, make the affordability gap even worse.

These findings also have broad implications for political decision-makers, urban planners, and economists. First, policymakers must implement measures geared towards tackling income disparity, such as progressive tax policies and improved public funding for affordable housing. Second, urban planners should also prioritize addressing housing supply shortages by easing zoning laws, speeding up the construction process, and promoting the development of low-cost housing. Lastly, economists and housing market analysts must continue examining the impact of economic disparities on housing accessibility to inform policies that more effectively target the root causes of the housing crisis.

However, this study has limitations. Since it relies heavily on secondary data, it may not fully capture the nuances of local variations in housing dynamics. Moreover, the geographic focus on urban areas may limit the generalizability of the findings to rural regions, where housing challenges may differ. Future research could explore the impact of income disparity on homeownership rates in rural areas and examine other demographic factors, such as migration patterns, to gain a more comprehensive understanding of the housing market itself. Additionally, comparisons with housing markets in other countries could also offer valuable insights into potential solutions to the UK's housing crisis.

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